

GENE TAYLOR
4TH DISTRICT, MISSISSIPPI

COMMITTEE ON ARMED SERVICES

CHAIRMAN
SUBCOMMITTEE ON SEAPOWERS AND
EXPEDITIONARY FORCES

COMMITTEE ON TRANSPORTATION
AND INFRASTRUCTURE

<http://www.house.gov/genetaylor>

2269 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-2404

(202) 225-5772
FAX: (202) 225-7074

DISTRICT OFFICES:
2424 14TH STREET
GULFPORT, MS 39501
(228) 864-7670

701 MAIN STREET
SUITE 215
HATTIESBURG, MS 39401
(601) 582-3246

2900 GOVERNMENT STREET, SUITE B
OCEAN SPRINGS, MS 39564
(228) 872-7950

527 CENTRAL AVENUE
LAUREL, MS 39440
(601) 425-3905

Congress of the United States
House of Representatives
Washington, DC 20515-2404

***** BRIEFING FOR MEMBERS AND STAFF *****

Windstorm Insurance Crisis on the Gulf Coast
Monday, July 30, 2007
3:00 p.m. in 2212 Rayburn House Office Building

Panelists:

Lloyd Dixon, Ph.D., Senior Economist, the RAND Corporation
David Treutel, Jr., Treutel Insurance Agency, representing the Gulf Coast Business Council
W. Anderson Baker, III, President of Gillis, Ellis & Baker, Inc., representing Greater New Orleans, Inc.

Dear Colleague:

I invite to a briefing on the crisis in the availability of windstorm insurance in coastal communities, to be held Monday, July 30, at 3 p.m. in 2212 Rayburn.

The House may consider legislation to address this crisis by creating an option in the National Flood Insurance Program to offer wind and flood coverage in one policy, at risk-based, actuarially-sound, premiums. This briefing will give Members the chance to learn the facts about the coastal insurance market from the RAND Corporation economist who published a report on the topic last week, and from two prominent independent insurance agents whose clients are struggling with the effects of the insurance industry's desertion from the Gulf Coast.

Dr. Lloyd Dixon of RAND will present the findings of the report, *Commercial Wind Insurance in the Gulf States: Developments Since Hurricane Katrina and Challenges Moving Forward*, released on July 18 by the RAND Gulf States Policy Institute (RGSPI) and the RAND's Institute for Civil Justice.

David Treutel, an independent insurance agent in Bay St. Louis, MS, and Vice Chairman of the Mississippi Windstorm Underwriting Association (i.e. the Mississippi wind pool), will provide details and examples of the windstorm insurance crisis on the Mississippi Gulf Coast.

Anderson Baker, President of Gillis, Ellis & Baker, Inc., one of Louisiana's largest independent insurance agencies, will discuss the insurance challenges facing the ten parishes in the Greater New Orleans area.

The RAND study found many businesses along the Gulf Coast have had difficulty obtaining wind insurance and that premiums have more than doubled in coastal communities from Texas to Florida. The report also found that

- Gulf Coast businesses are paying higher deductibles while getting lower limits on policy coverage;
- The use of state-run residual insurance markets has risen;
- The potential for financial losses resulting from damage to property due to high winds has shifted in part from insurers to policyholders and taxpayers – including those not living in high-risk areas.

The study proposes three basic goals for a wind risk insurance system and examines the challenges faced by the private market and government programs. Within that discussion, the report makes the following points:

"Government is not subject to the private-sector factors that produce large swings in premiums around expected loss in private insurance markets. Thus, compared with the private sector, government should be able to set insurance prices closer to expected loss for hurricanes and other catastrophic risks, and keep those prices closer to expected loss over time."

"Despite all the attention that has been paid to the litigation over residential policy coverage, one of the key issues driving the litigation has not been addressed: the difficulty of determining whether damage was caused by wind or by rising water (i.e. flood). Consequently, it is reasonable to expect coverage disputes whenever an insurance policy covers loss from one of these but not the other. Strategies for reducing this type of litigation include offering insurance policies that cover damage from both wind and flood."

While this briefing will focus on the Gulf Coast, the coastal communities along the Atlantic are experiencing similar problems as insurers force more policyholders into state-sponsored insurers of last resort.

I hope to see you on Monday at 3 p.m. If you have any questions, please contact Brian Martin at 5-5772.

Sincerely,


GENE TAYLOR
Member of Congress